



Salada Foods Ltd • Annual Report 1966



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Salada Foods Ltd

DEC - 7 1966

HEAD OFFICE

855 York Mills Road,
Don Mills, Ontario, Canada.

DIRECTORS

*Arthur E. Beeby

E. J. Courtois, Q.C.

*Samuel Fingold, *Chairman of the Executive Committee*

*Grant Horsey, *Chairman of the Board*

J. William Horsey, *Chairman Emeritus*

H. Owen Jones

R. A. Kingston, Q.C.

*James L. Lewtas, Q.C.

Edwin C. McDonald

Brig. F. C. Wallace

D. H. Ward

*L. N. Watt

**Members of the Executive Committee*

CORPORATE OFFICERS

Grant Horsey, *Chairman of the Board*

Arthur E. Beeby, *President*

H. G. Tait, *Vice-President & Treasurer*

John A. McCleery, *Vice-President*

E. F. MacKeen, *Secretary*

AUDITORS

McDonald, Currie & Co.

TRANSFER AGENTS

Crown Trust Company, Toronto, Montreal, Winnipeg and Vancouver

Si vous désirez recevoir un exemplaire en français du rapport annuel Salada de 1966, veuillez écrire au Secrétaire, Les Produits Salada Ltée, 855 York Mills Road, Don Mills (Ont.) qui vous en fera parvenir un promptement.



As a share
owner you will realize
that in becoming the largest
Canadian owned packaged food company
in the world, we now market a vast number
of products . . . some are packed in tins, others
in bags, still others in boxes and cartons and jars. To
bring all these food products together, to provide a link that
was clear and simple and attractive was a project on which
much time and study has been spent. Toward the close of
1966 we settled on the design you see above. As it makes
its appearance on one product after another it will
become not only a distinguishing mark . . . but
a mark of distinction, backed by the integrity
and standards of quality that have long
been identified with your
Company.

Financial Highlights

	1966 \$	1965 \$
Operations		
Gross Sales	84,336,088.	80,805,687.
Depreciation and Amortization	1,639,101.	1,572,846.
Net Profit for the year	2,428,192.	2,236,966.
Earnings per share	.92	.85
Dividends per share	.40	.38
Financial Position		
Funds generated from operations	4,067,293.	3,809,812.
Working Capital	10,366,455.	9,809,434.*
Net Additions to Fixed Assets	1,894,992.	3,248,130.
Funded Debt	6,481,514.	6,971,386.
Number of shareholders	10,172	10,899

*Reclassified for comparative purposes.



Directors' Report

We are pleased to submit your Directors' Report covering the consolidated operations of your Company for the fiscal year ended September 30, 1966.

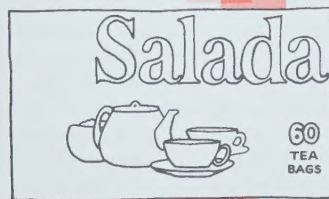
Sales

Consolidated sales rose to \$84,336,088, an increase of 4.3% over the previous year, with all countries where your Company operates contributing to the increase.

Earnings

Net profit for the year increased to \$2,428,192 for an improvement of 8.5% over the previous year with the only areas showing operating losses being the United Kingdom and Belgium. The losses stemmed directly from the effects of a cold summer on the sales volumes of these hot weather businesses.

Dividends declared during the year amounted to \$1,059,255 and were maintained at the annual rate of 40 cents per share.



Capital Expenditures

To meet expanding volume and increasing efficiency requirements \$1,894,992 was expended. Major items involving Canadian operations were for land expansion of our potato operation at Alliston, and for machinery and equipment at Canadian Food Products and our Montreal and Toronto plants. Another major expense item in Canada involved opening new Canadian Food Products bakery outlets. This is a constant program to keep pace with population shifts and the consequent opening of new shopping centres.

In the United States, major expenditures were directed toward the expansion of Plant Industries, Inc. involving a second dehydration unit, and to a glass packing line to handle the packing of instant tea in our Little Falls, New York, plant.

Other expenditures involved further development of citrus groves in British Honduras and the installation of more modern machinery in our United Kingdom plants.

During the current year, sizable expenditures will be made on a potato warehouse for our Alliston operation, construction of which has commenced, and for completion of the Plant Industries' dehydrator expansion.

General

During the past year we have successfully avoided price increases on our products by reducing costs. However, we anticipate having to make upward price revisions on some products during the current year because of continuing increased costs in all areas of the business.

In August of this year Slater Steel Industries Limited acquired a substantial interest in Salada Foods and this added strength will enhance the competitive position of your Company and contribute to faster growth.

The Directors would like to express their appreciation for the support and co-operation received during the year from our customers, suppliers, share owners, and from our 4,500 employees.

On behalf of the Board of Directors,

Grant Horsey

Chairman

Arthur F. Leach

President

Toronto, Canada
November 26, 1966

**Salada Foods Ltd and Subsidiaries****CONSOLIDATED BALANCE SHEET****ASSETS****Current**

	1966 \$	1965 \$
Cash	1,028,420	853,159
Marketable securities — at cost (quoted market value \$1,003,580)	615,920	605,115*
Accounts receivable	6,224,821	6,403,338
Inventories (note 2)	13,552,718	11,363,255
Prepaid expenses	1,137,995	870,452
	<u>22,559,874</u>	<u>20,095,319</u>

Investments — at cost

Shares of an associated company	500,400	500,400
Mortgages receivable and sundry investments	923,846	964,904
	<u>1,424,246</u>	<u>1,465,304</u>

Land, Buildings, Equipment and Leasehold Interests (note 3) 17,122,462 16,866,571

Excess of Purchase Price of Businesses Acquired Over Net Assets (note 4) 1,405,910 1,011,737

*Reclassified for comparative purposes.

<u>42,512,492</u>	<u>39,438,931</u>
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Signed on behalf of the Board:

Grant Horsey,
Director

Arthur E. Beeby,
Director

LIABILITIES**Current**

	1966 \$	1965 \$
Bank loans	2,185,551	1,209,639
Accounts payable and accrued liabilities	7,967,004	7,368,538
Income and other taxes	1,154,581	1,240,917
Due to associated company	455,441	—
Current instalments on funded debt	430,842	466,791
	<u>12,193,419</u>	<u>10,285,885</u>

Funded Debt (note 5)	6,481,514	6,971,386
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Minority Interest in Consolidated Net Assets (note 6)	2,224,800	2,367,211
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SHARE OWNERS' EQUITY**Capital Stock** (note 7)

Authorized —

5,000,000 common shares without nominal or par value

Issued and fully paid —

2,651,138 common shares	8,618,029	8,582,829
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Retained Earnings

Reserve for contingency	250,000	500,000
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Unappropriated balance	12,744,730	10,731,620
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Share Owners' Equity	21,612,759	19,814,449
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	<u>42,512,492</u>	<u>39,438,931</u>
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Auditors' Report to the Share Owners

We have examined the consolidated balance sheet of Salada Foods Ltd and subsidiaries as at September 30, 1966, and the consolidated statements of earnings, unappropriated retained earnings and source and use of funds for the year ended on that date. Our examination of the financial statements of Salada Foods Ltd and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, unappropriated retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly on a consolidated basis the financial position of the companies as at September 30, 1966, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change described in note 4, with which we concur.



Salada Foods Ltd and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended September 30, 1966

	1966 \$	1965 \$
Gross Sales	84,336,088	80,805,687
Less: Outward freight, allowances and discounts	5,585,622	4,884,032
Net Sales	78,750,466	75,921,655
Manufacturing, Selling and Administrative Costs	72,342,240	70,023,685
Operating Profit Before the Items Below	6,408,226	5,897,970
Deduct: Provision for depreciation and amortization	1,639,101	1,572,846
Interest on funded debt	411,977	435,918
Other interest	337,521	214,914
Directors' remuneration (Directors' fees \$15,842)	147,550	139,881
	2,536,149	2,363,559
	3,872,077	3,534,411
Investment Income	51,377	36,564
Profit Before Income Taxes	3,923,454	3,570,975
Income Taxes (note 8)	1,350,000	1,200,000
Minority Interest	145,262	134,009
Net Profit for the Year	2,428,192	2,236,966

CONSOLIDATED STATEMENT OF UNAPPROPRIATED RETAINED EARNINGS

for the year ended September 30, 1966

	1966 \$	1965 \$
Balance at beginning of year	10,731,620	11,482,139
Net profit for the year	2,428,192	2,236,966
Reduction in reserve for contingency	250,000	—
Reinstatement of purchase price excess (note 4)	394,173	—
	13,803,985	13,719,105
Dividends	1,059,255	1,005,912
Write-offs —		
Organization expenses	—	353,404
Purchase price excess of businesses acquired prior to 1965 (note 4)	—	1,628,169
Balance at end of year	12,744,730	10,731,620



Salada Foods Ltd and Subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended September 30, 1966

Source of Funds

	1966 \$	1965 \$
Net profit for the year	2,428,192	2,236,966
Provision for depreciation and amortization	1,639,101	1,572,846
Total from operations	4,067,293	3,809,812
Capital stock issued	35,200	158,200
Decrease in investments	41,058	699,935*
Total funds generated	4,143,551	4,667,947

Use of Funds

Net additions to fixed assets and leasehold interests	1,894,992	3,248,130
Dividends	1,059,255	1,005,912
Excess of purchase price of businesses acquired over net assets	—	1,011,737
Reduction in funded debt	489,872	332,677
Decrease in minority interest	142,411	127,403
	3,586,530	5,725,859
Increase (Decrease) in Working Capital	557,021	(1,057,912)

*Reclassified for comparative purposes.





Salada Foods Ltd and Subsidiaries

EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended September 30, 1966

1. Basis of Consolidation

The accounts of all subsidiaries have been consolidated. Fixed assets and long term liabilities of the United States subsidiaries have been converted to Canadian funds at par, and those of other foreign subsidiaries have been converted to Canadian funds at the exchange rates in effect when they were acquired. Current assets and current liabilities of foreign subsidiaries have been converted to Canadian funds at the exchange rates in effect at September 30, 1966.

2. Inventories

Inventories are valued at the lower of cost and net realizable value and consist in M\$ of:

	1966	1965
Ingredients and supplies	7,494	6,074
Products — in process and finished	6,059	5,289
	<u>13,553</u>	<u>11,363</u>

3. Fixed Assets

Land, buildings, equipment and leasehold interests and their related accumulated depreciation or amortization are classified in M\$ as follows:

	1966		1965	
	Cost	Accumulated depreciation	Net after depreciation	Net after depreciation
Land	1,872	—	1,872	1,816
Land improvements	1,399	171	1,228	1,159
Buildings	7,633	1,941	5,692	5,721
Equipment	18,310	10,609	7,701	7,414
Leasehold interests	2,305	1,676	629	756
			<u>17,122</u>	<u>16,866</u>

The company is engaged in the construction of additional plant facilities estimated to cost approximately \$945,000 when completed. Of this amount, \$145,000 has been recorded in the accounts as at September 30, 1966.

4. Purchase Price Excess

An amount of \$394,173 has been restored to the asset account in order that this account will include the full purchase price excess that relates to businesses which are contributing to the profit of the Salada group. This return to more traditional treatment discontinues the write-off practice adopted for the first time last year, under which \$1,011,737 would have been written off this year to retained earnings.

5. Funded Debt

Funded debt consists of the following:

5% sinking fund debentures, maturing December 15, 1975 — \$80,000 payable in 1967, increasing annually to \$90,000 in 1974	\$1,175,000
6% sinking fund debentures, maturing July 1, 1977 — \$251,000 payable in 1967, increasing annually to \$494,000 in 1976	4,584,000
5% mortgage, maturing October 1, 1968 in annual instalments of \$100,000	621,300
Sundry notes and mortgages	532,056
	<u>6,912,356</u>
Less: Current instalments	<u>430,842</u>
	<u>6,481,514</u>

6. Minority Interest

Preference shares of Canadian Food Products Limited, a subsidiary, are included in minority interest on the consolidated balance sheet. This subsidiary has certain obligations to purchase these shares for cancellation or to redeem them at a premium.

7. Capital Stock

There are outstanding options to two officers (one of whom is a director) to buy 2,000 common shares each, one at \$8.80 per share exercisable until August 14, 1968 and the other at \$9.50 per share exercisable until July 31, 1967. During the year 4,000 shares were issued for \$35,200 cash on exercise of an option to a director and officer.

8. Income Taxes

Income taxes have been calculated after claiming maximum capital cost allowance, which is in excess of depreciation recorded in the accounts by \$124,000. As a result the total taxes otherwise payable for the year have been reduced by \$59,000 while the net accumulated reductions to date amount to \$950,000.

9. Leases

A lease with an associated company requires Salada Foods Ltd to pay all such company's expenses, and all amounts falling due in each year on its first mortgage bonds. The net expenses in the years ended September 30, 1966 and 1965 were \$350,345 and \$372,037 respectively. \$1,921,000 of the first mortgage bonds were outstanding at September 30, 1966 of which \$81,000 are due on February 1, 1967. The lease expires on February 1, 1981.

Minimum rentals under lease agreements of subsidiaries which extend for more than five years from September 30, 1966 aggregate approximately:

1967 - 1971	\$2,700,000
1972 - 1976	2,130,000
1977 - 1981	1,450,000
1982 - 1986	720,000
1987 and after	<u>1,370,000</u>

OPERATING SUBSIDIARIES AND DIVISIONS

Canada

Canadian Division, 855 York Mills Road, Don Mills, Ontario
Canadian Food Products Limited, 67 Walker Avenue, Toronto, Ontario
Clearbrook Frozen Foods Ltd., Clearbrook, British Columbia
Citrus Division, 145 Sheppard Avenue East, Willowdale, Ontario
Snack Foods Division, 855 York Mills Road, Don Mills, Ontario

United States

Salada Foods Inc.

Salada-Junket Division, Woburn, Massachusetts
Citrus Division, Plant City, Florida

Plant Industries Inc.

Crystals Division, Plant City, Florida
California Citrus Pulp Division, Colton, California

United Kingdom

Salada Foods (U.K.) Limited, Aylesbury, England

Jamaica

Shirriff's (Jamaica) Limited, Kingston
Coffee Company of Jamaica Ltd., Kingston
Instant Coffee Company of Jamaica Limited, Kingston

Belgium

Biscuiterie Italo-Belge S. A., Brussels

British Honduras

British Honduras Fruit Company Limited, Stann Creek

